

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 LISBON 4303

E.O. 11652: GDS
TAGS: ECON EFIN PO
SUBJ: PORTUGAL'S ECONOMIC PROBLEM: PART II - THE CRISIS
AND ITS POLITICAL CONSEQUENCES

REF: LISBON 3881

1. SUMMARY: PORTUGAL'S ECONOMIC DIFFICULTIES ARE
STRUCTURAL, NOT CYCLICAL. THE RECENTLY LAUNCHED STABILI-
ZATION EFFORT WILL PROVIDE ONLY BREATHING SPACE, IT WILL
NOT SOLVE THE UNDERLYING ECONOMIC PROBLEM. PORTUGAL IS
AN UNDERDEVELOPED COUNTRY WHICH JUST HAPPENS TO BE IN
WESTERN EUROPE. IT WILL NEED A CONCERTED, LONG-TERM
DEVELOPMENT EFFORT IF ITS FLEDGLING DEMOCRACY IS TO
SURVIVE. WE AND THE EUROPEANS SHOULD FACE THAT FACT AND
DECIDE NOW TO STAY THE COURSE. END SUMMARY.

2. INTRODUCTION: THIS IS THE SECOND MESSAGE IN A
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THREE-PART SERIES. THE FIRST (REFTEL) SET FORTH OUR
PROJECTION OF PORTUGAL'S BALANCE OF PAYMENTS FOR 1978
AND 1979. THIS MESSAGE DISCUSSES THE NATURE OF PORTUGAL'S
ECONOMIC DIFFICULTIES AND THE POSSIBLE POLITICAL
CONSEQUENCES OF A GOP FAILURE TO HANDLE THEM ADEQUATELY.
THE THIRD MESSAGE WILL RECOMMEND A COURSE OF ACTION
DESIGNED TO AVOID THOSE CONSEQUENCES.

3. THE PROBLEM: PORTUGAL IS AN UNDERDEVELOPED COUNTRY THAT HAPPENS TO BE LOCATED IN WESTERN EUROPE. ITS ECONOMY CANNOT SUPPORT THE STAND OF LIVING--EVEN THOUGH THE LOWEST IN EUROPE--TO WHICH ITS PEOPLE BECAME ACCUSTOMED BEFORE THE CATAclysms OF 1974-75. THE CLASSICAL STABILIZATION PROGRAM ON WHICH PORTUGAL IS JUST NOW EMBARKING WILL NOT CURE THE ECONOMY'S BASIC ILLS; UNLESS THESE MEASURES ARE ACCOMPANIED BY A RESTRUCTURING OF THE ECONOMY WHICH LEADS TO HIGH RATES OF GROWTH, THE FUTURE OF THE COUNTRY'S NASCENT DEMOCRACY IS IN JEOPARDY.

4. ITS CAUSES: THE 1974 REVOLUTION DID NOT CAUSE PORTUGAL'S SORRY ECONOMIC PLIGHT; IT ONLY HASTENED THE DEMISE OF A DOOMED SYSTEM. PORTUGAL'S MODEST PER CAPITA INCOME--\$1500--AND THE ECONOMY'S EQUILIBRIUM HAD BEEN PROPPED UP BY A COLONIAL EMPIRE AND AN OPPRESSIVE SOCIO-POLITICAL SYSTEM. EVEN IF THE 1974 REVOLUTION HAD NOT OCCURRED, PORTUGAL WOULD BE IN DEEP TROUBLE TODAY: WITH THE QUADRUPLING OF OIL PRICES, THE TERMS OF TRADE TURNED DRASTICALLY AGAINST PORTUGAL. MOREOVER, ITS TRADITIONAL EXPORTS (E.G. TEXTILES) ARE A GLUT ON THE WORLD MARKET, SO THAT THE OIL PRICE RISE COULD NOT BE EVEN PARTIALLY SHIFTED ABROAD BY RAISING EXPORT PRICES. EVEN ITS PRE-1974 PALLIATIVE, THE MASSIVE OUT-MIGRATION OF ITS POPULATION (700,000 MIGRANT WORKERS IN

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FRANCE ALONE) WAS HALTED BY THE ONGOING EUROPEAN RECESSION.

5. THE PRICE OF LIBERTY. THESE BASIC DISLOCATIONS WERE, OF COURSE, SERIOUSLY AGGRAVATED AND COMPOUNDED BY THE EFFECTS OF THE APRIL REVOLUTION--THE ARRIVAL OF 600,000 REFUGEES FROM AFRICA WHICH SUDDENLY ADDED TO THE COUNTRY'S INFRASTRUCTURE AND CONSUMPTION NEEDS, NOTABLY FOR AGRICULTURAL PRODUCTS; THE LOSS OF PROTECTED MARKETS AND RAW MATERIAL SOURCES IN ITS FORMER COLONIES; THE GOVERNMENT'S INCOME REDISTRIBUTION POLICIES OF 1974-75 WHICH SPARKED THE DEMAND FOR CONSUMER GOODS WHICH THE ECONOMY CANNOT SUPPLY; TURMOIL IN AGRICULTURE; THE INCORPORATION OF INDUSTRIES INTO THE PUBLIC SECTOR; WORKER ABSENTEEISM AND DEMANDS FOR WORKER CONTROL; THE FLIGHT OF TECHNICIANS AND ENTREPRENEURS.

6. EVEN WITH THE RESTORATION OF POLITICAL AND SOCIAL DISCIPLINE IN 1976, THERE WAS NO WAY THE BACKWARD ECONOMIC STRUCTURE COULD RESPOND QUICKLY AND BEGIN TO PRODUCE ENOUGH TO BALANCE ITS FOREIGN ACCOUNTS. AS A RESULT, THE GOVERNMENT SINCE 1976 HAS DELIBERATELY PURSUED A POLICY OF REDUCING REAL INCOME. GIVEN THE STRENGTH OF THE

COMMUNIST PARTY IN THE TRADE UNIONS, AND THE GENERALLY
LIBERAL POLITICAL INSTITUTIONS, THE GOVERNMENT'S ABILITY
TO LOWER REAL INCOME WITHOUT PRODUCING POLITICAL INSTA-
BILITY HAS BEEN TRULY REMARKABLE, AND REFLECTS PORTUGUESE
SOCIETY'S ESSENTIALLY CONSERVATIVE NATURE. BUT THERE
ARE STILL LIMITS TO THE WILLINGNESS OF THIS PEOPLE TO
STAND STILL FOR FURTHER EROSION OF LIVING STANDARDS,
PARTICULARLY AFTER THEIR BRIEF EXPERIENCE WITH A RISE
IN REAL WAGES IMMEDIATELY FOLLOWING THE APRIL 25 REVOLU-
TION. HENCE, THE GOVERNMENT'S RESISTENCE TO THE MORE
DRASTIC MEASURES PROPOSED BY THE IMF IN THE RECENTLY-
CONCLUDED STANDBY NEGOTIATIONS AND ITS WARINESS OF
TAKING STEPS--SUCH AS RETURN OF AGRICULTUREAL LANDS TO
FORMER OWNERS--WHICH WOULD ANTAGONIZE THE COMMUNIST
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PARTY.

7. IN SHORT, THE GOVERNMENT WILL HAVE LITTLE OR NO ROOM TO
FORCE FURTHER BELT-TIGHTENING ONCE THE CURRENT STABILIZA-
TION PROGRAMS RUNS ITS COURSE. NOR IS IT WISE FOR THE
GOP, OR ITS FOREIGN SUPPORTERS LIKE THE UNITED STATES, TO
CONTINUE TO TRY TO DEAL WITH THE ECONOMIC PROBLEM AS IF
IT WERE EXCLUSIVELY SHORT-RUN. FOR ONE THING, A CONTINUATION
OF A SHORT-TERM FOCUS COULD GIVE THE GOP THE IMPRESSION
THAT ITS ALLIES ARE PREPARED TO FINANCE REPEATED ANNUAL BALANCE
OF PAYMENTS DEFICITS, THEREBY ENCOURAGING THE PORTUGUESE

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TO DELAY TOUGH BUT NECESSARY ECONOMIC AND POLITICAL DECISIONS. IF THE GOP WERE TO ADOPT SUCH AN ATTITUDE THE COUNTRY WOULD INEVITABLY FACE REPEATED AND PROBABLY GROWING ANNUAL DEFICITS. GOP PRELIMINARY PROJECTIONS THROUGH THE MID-1980S, SEEM TO BE GENERATING JUST SUCH A SENSE OF INEVITABILITY. PLANNING MINISTRY OFFICIALS CLAIM THEIR PROJECTIONS SHOW THAT A REASONABLE GROWTH OF GNP OVER THE MEDIUM-TERM WOULD CAUSE THE CURRENT ACCOUNT EXTERNAL DEFICIT TO WORSEN CONSIDERABLY; EVEN PROJECTIONS ASSUMING NO GNP GROWTH CONTAIN DEFICITS OF NO LESS THAN \$800 MILLION. THE THREAT EXISTS THAT THE GOP MAY BECOME CONVINCED THAT REPEATED EXTERNAL DEFICITS ARE UNAVOIDABLE UNLESS IT IMPLEMENTS DRASTIC DEPRESSIVE DOMESTIC POLICIES. IN SUCH A CASE, IT MIGHT OPT FOR A POLITICALLY EASIER SHORT-TERM SOLUTION OF INACTION. THE RESULT WOULD BE STAGFLATION, EXTERNAL DEFICITS, SHARPLY DECLINING REAL INCOME, AND RETURN TO AN ECONOMIC UNCERTAINTY SIMILAR TO THAT OF 1975.

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8. A LONGER TERM APPROACH IS A SINE QUA NON ALSO FOR PORTUGUESE ENTRY INTO THE EUROPEAN COMMUNITY. PORTUGAL'S COMMUNICATIONS, TRANSPORT, EDUCATION, MARKETING, AGRICULTURAL, PUBLIC, AND MUCH OF ITS INDUSTRIAL SECTORS ARE ANTIQUATED AND INEFFICIENT. ITS PER CAPITA INCOME IS ONLY ABOUT ONE-THIRD OF THE EC AVERAGE. MAJOR PORTUGUESE INDUSTRIES, FOR EXAMPLE STEEL, WERE INEFFICIENT PRIOR TO THEIR NATIONALIZATION. THEY EXISTED LARGELY BECAUSE OF GOVERNMENT PROTECTION. EVEN AS THE NEGATIVE IMPACT OF THE REVOLUTION FADES, PORTUGAL'S INEFFICIENCIES AND BACK-WARDNESS WILL REMAIN. THEIR IMPACT, HOWEVER, WILL BE MUCH WORSE THAN IN THE PAST, FOR SEVERAL REASONS. FIRST, THE ECONOMY'S INEFFICIENCY HAS UNDOUBTEDLY INCREASED, AND AT A POINT WHEN THE COUNTRY'S PRODUCTIVE SEGMENTS ARE LESS ABLE TO ABSORB THE BURDEN. SECOND, PORTUGAL'S ENTRY INTO THE EC WILL SUBJECT INEFFICIENT SECTORS TO MORE COMPETITION. IMPORTS FROM THE EC WILL, FOR EXAMPLE, CAUSE EXTENSIVE DISLOCATIONS IN PORTUGAL'S AGRICULTURAL, AUTOMOTIVE, STEEL, GENERAL INDUSTRIAL SECTORS IF PORTUGAL DOES NOT PREPARE ITS ECONOMY FOR INTEGRATION.

9. THE POLITICAL CONSEQUENCES. PORTUGAL HAS COME A LONG WAY SINCE THE CHAOTIC DAYS OF MID-1975 WHEN THE COMMUNIST PUSH FOR POWER SEEMED ABOUT TO SUCCEED. A DEMOCRATIC MAJORITY GOVERNMENT IS NOW IN PLACE AND FUNCTIONING; THE GOP HAS COME TO TERMS WITH THE IMF, AND THE GOVERNMENT HAS THE DETERMINATION AND POLITICAL BACKING TO MAKE THE

AGREEMENT STICK. THE IMF ACCORD AND THE RESULTING
EASIER ACCESS TO ADDITIONAL FOREIGN CAPITAL PROVIDE
WELCOME BREATHING SPACE. ALTHOUGH THE ECONOMY REMAINS
SLUGGISH AND DEMOCRATIC INSTITUTIONS FACE CHALLENGES
FROM BOTH LEFT AND RIGHT, PORTUGAL GIVES THE CASUAL OBSERVER A
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FEELING THAT IT HAS MOVED INTO A PERIOD OF
POST-REVOLUTIONARY NORMALCY.

10. THIS NORMALCY, HOWEVER, IS MORE APPARENT THAN REAL.
THERE ARE NO GROUNDS FOR COMPLACENCY. THE ECONOMIC
PROBLEM IS AWESOME, AND THE FRAGILE POLITICAL INSTITUTIONS
ARE STILL IN A STATE OF FLUX. EVEN AS REGARDS THE
IMMEDIATE TASK OF STABILIZATION, THE GOVERNMENT WILL HAVE
IT HANDS FULL FACING UP TO THE DIFFICULT POLITICAL
AND ECONOMIC CHOICES IMPLICIT IN THE IMF UNDERSTANDING.
THE ANNOUNCED 20 PERCENT LID ON WAGES WILL COME UNDER
GROWING CRITICISM IN THE FACE OF THE RISING COST OF LIVING.
WORKERS IN THE LISBON INDUSTRIAL BELT WILL STEP UP THE
PACE OF DEMONSTRATIONS AND WORK STOPPAGES IN AN EFFORT
TO STAY AHEAD OF INFLATION. PRESSURES FOR GOVERNMENT SUBSIDIES
WILL MOUNT BECUASE OF THE GROWING NUMBER OF PUBLIC ENTER-
PRISES FACING BANKRUPTCY. PRESSURES ON THE GOVERNMENT TO
RELAX THE STABILIZATION PROGRAM SHOULD REACH THEIR PEAK
IN 1979. BY THAT TIME, PORTUGAL WILL ALSO BE IN THE
MIDST OF NEGOTIATING ENTRY INTO THE EUROPEAN COMMUNITY.
THE PAINFUL PROCESS OF DOMESTIC ADJUSTMENT WHICH ENTRY
ENTAILS WILL BE BETTER UNDERSTOOD, AND THE PREDICTABLE
NEGATIVE RESPONSE OF PORTUGUESE INDUSTRIALISTS WILL BE
ADDED TO THE GENERAL POPULACE'S UNHAPPINESS WITH AUSTERITY.

11. AT THAT POINT, IF THE GOVERNMENT FACES ANOTHER
FINANCIAL RESCUE OPERATION, AND IF THE MUCH-TOUTED
GOP"EUROPEANOPTION" SEEMS TO BE PROVIDING NO ASSISTANCE
IN RESTRUCTURING THE ECONOMY, THE MORALE OF THE GOVERNING
COALITION COULD CRUMBLE. IN THOSE CIRCUMSTANCES, WE
FORESEE A NUMBER OF SCENARIOS, POSSIBLY OCCURRING "AD
SERIATIM" IMMOBILIZATION, PRESIDENTIAL AUTHORITARIANISM,
MILITARY RULE.

12. IMMOBILIZATION: BY MID-1979, POLITICAL ATTENTION WILL
BE FOCUSING ON THE END-OF-YEAR MUNICIPAL ELECTIONS, 1980
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LEGISLATIVE ELECTIONS, AND 1981 PRESIDENTIAL ELECTIONS.
THE GOVERNMENT PARTNERS WILL BE INCREASINGLY TEMPED BY
SOLUTIONS BASED UPON POLITICAL AS OPPOSED TO ECONOMIC

CRITERIA. AS THE ECONOMIC TRADOFFS BECOME INCREASINGLY UNATTRACTIVE, THE TENDENCY TO DEFER DECISIONS COULD BECOME PERVASIVE. PRESSURES ON THE SOCIALISTS AND CENTER DEMOCRATS, ALREADY STONG, WOULD BECOME UNBEARABLE AS THE EXTERNAL LIQUIDITY CRISIS HIT. THE PS/CDS COALITION WOULD FRAY. THE CENTER DEMOCRATS, IN AN EFFORT TO SAVE THEMSELVES, WOULD PROBABLY BREAK RANKS FIRST. A LAME DUCK, MINORITY SOCIALIST GOVERNMENT WOULD BE RELUCTANT TO GIVE UP POWER BUT WOULD BE INCAPABLE OF GOVERNING. THE PROSPECT OF ELECTIONS WOULD FURTHER IMMOBILIZE THE POLITICAL PROCESS. THE PRESIDENT, HESITANT TO TAKE CHARGE

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FOR FEAR OF DESTROYING DEMOCRACY, BUT AFRAID TO PERMIT CONTINUED DRIFT, WOULD BECOME THE KEY POLITICAL ACTOR.

13. PRESIDENTIAL AUTHORITARIANISM: FACED WITH SLOW BUT STEADY DECOMPOSITION OF POLITICAL AND ECONOMIC STRUCTURES AND THE APPARENT INABILITY OF THE PARTIES TO FIND AN ANSWER, THE PRESIDENT MIGHT CHOOSE TO IMPOSE A SOLUTION. ABSENT THE SUPPORT OF THE PARTIES, EANES WOULD FIND IT EXTREMELY DIFFICULT TO GOVERN. A GOVERNMENT OF "NATIONAL SALVATION" WOULD BE ONE POSSIBILITY, AND GIVEN SPREADING DISSATISFACTION THERE WOULD BE

SOME POPULAR SUPPORT FOR THIS APPROACH. BUT THE VERY PROCESS WHICH PROMPTED PRESIDENTIAL INTERVENTION WOULD WEIGHT AGAINST BROAD PARTY SUPPORT FOR A EANES-IMPOSED SOLUTION. BOTH THE SOCIALISTS AND CENTER DEMOCRATS WOULD BACK AWAY FROM THE PRESIDENT AFTER HE HAD FAILED TO SUPPORT THE GOVERNMENT WHEN IT WAS IN TROUBLE. THE CONFIDENTIAL

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COMMUNISTS WOULD RESIST BY EVERY MEANS, SHORT OF RISKING EVERYTHING. THE SOCIAL DEMOCRATS WOULD PROBABLY DIVIDE ON THE ISSUE: SA CARNEIRO WOULD PUSH FOR A PS/CDS/PSD GRAND COALITION, WITH THE SOCIAL DEMOCRATS, UNSOILED BY ASSOCIATION WITH THE GOVERNMENT, PLAYING THE KEY ROLE. THE MILITARY WOULD PROBABLY SUPPORT EANES, PROVIDE HE MOVED EARLY ENOUGH, BUT MILITARY PARTICIPATION WOULD MAKE THE PARTIES, ESPECIALLY THE SOCIALISTS, EVEN MORE SKEPTICAL. STILL EANES, WITH FIRM MILITARY SUPPORT, MIGHT PUSH ACROSS A "PRESIDENTIAL" FORMULA. BUT THE POLITICAL AND ECONOMIC DYNAMICS OF THE SITUATION WOULD MILITATE AGAINST ITS BEING A LONG TERM SOLUTION. THE SOCIALISTS, DISCREDITED BY THEIR FAILURE TO GOVERN EFFECTIVELY, WOULD BE DRQWN INTO THE ROLE OF OUTRIGHT OPPOSITION IN ORDER TO REBUILD MOREALE AND POPULARITY. THEY WOULD FIND IT HARD TO RESIST A "MODUS OPERANDI" WITH THE COMMUNISTS. THE RESULT: A BUILDING LEFT-RIGHT POLARIZATION AND A GOVERNMENT INCREASINGLY DEPENDENT UPON FORCE, WITH THE EUROPEANS ADOPTING A WAIT AND SEE ATTITUDE.

MILITARY RULE: AS PRESSURE AGAINST THE GOVERNMENT IN WORK PLACES AND IN THE STREETS THREATENED PUBLIC ORDER, THE AUTHORITIES WOULD RESPOND WITH FORCE TO KEEP THE LID ON. A PRESIDENTIAL SOLUTION COULD QUICKLY GIVE WAY TO MORE DRASTIC ANSWERS. SPORADIC VIOLENCE WOULD INEVITABLY INCREASE THE ROLE OF MILITARY MEN IN THE DICISION-MAKING PROCESS. THE PORTUGUESE ARMED FORCES, HAVING PASSED THROUGH A LEFTIST PERIOD IN 1974-5, WOULD NOW REASSERT THEIR POLITICAL ROLE, BUT THIS TIME AS A STAUNCH DEFENDER OF THE ATLANTIC ALLIANCE AND A CONSERVATIVE FORCE, THE LAST BULWARK AGAINST ANARCHY AND COMMUNIST DOMINATION. FACED WITH COOLNESS FROM THE WEST, HOWEVER, THE GOVERNMENT EVENTUALLY COULD AGAIN FALL INTO HANDS OF LESS CONSERVATIVE OFFICERS WHO WOULD CONFIDENTIAL

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SEEK TO BALANCE INCREASING RESORT TO AUTHORITARIAN PRESCRIPTIONS AT HOME WITH A NEW EFFORT AT THIRD-WORLDISM AND WOOING THE ARABS. THE RESULT: A MILITARY-

LED GOVERNMENT, PROBABLY WITHOUT EANES, DEPENDENT UPON FORCE TO MAINTAIN ITSELF, AND INCREASINLGLY INCLINED TO RADICAL APPEALS TO ATTRACT FOREIGN SUPPORT.

15. WHY DO WE CARE? OUR PRINCIPAL CONCERNS IN PORTUGAL REMAIN:

- CONSOLIDATION OF DEMOCRATIC INSTITUTIONS, FOR THEIR OWN SAKE AND AS A STABILIZING ELEMENT IN SOUTH EUROPE.
- A PORTUGUESE PARTICIPATION IN THE ALLIANCE WHICH IS HEALTHY AND HELPFUL (AS OPPOSED TO DISGRUNTLED AND NEGATIVE).
- CONTINUED USE OF THE LAJES AIR BASE IN THE AZORES.
- PORTUGUESE SUPPORT ON BILATERAL AND INTERNATIONAL ISSUES, ESPECIALLYU. . BACKED POLICY INITIATIVES IN SOUTHERN AFRICA.

16. WE SHOULD VIEW PORTUGUESE EFFORTS TO DEAL WITH THEIR CONTINUING BALANCE OF PAYMENTS AND DEVELOPMENT PROBLEMS IN THE CONTEXT OF THESE CONCERNS. THE PORTUGUESE PEOPLE CAN BE EXPECTED TO BEAR WITH AUSTERITY FOR SEVERAL YEARS, PROVIDED POLICIES PROMOTE A MEDIUM TERM ECONOMIC RECOVERY AND THE COUNTRY IS SEEN TO BE MOVING TOWARD THE GOAL OF "EUROPE". BUT EVEN A DETERMINED PORTUGAL, LEFT TO ITS OWN DEVICES, COULD NOT HANDLE IT ECONOMIC PROBLEMS AND PRESERVE DEMOCRATIC NORMS. A SLIDE BACK TO AUTHORITY-TARIAN RULE, WHICH UNFORTUNATELY MUST STILL BE CONSIDERED THE NORM IN 20TH CENTURY PORTUGAL, WOULD CARRY BOTH PRACTICAL AND SYMBOLIC IMPLICATIONS. FOR ONE, IT WOULD SET A HIGHLY UNDESIRABLE PRECEDENT FOR NEIGHBORING SPAIN. THE EARLY EXCESSES OF THE PORTUGUESE REVOLUTION MAY WELL HAVE BEEN A FACTOR IN THE MORE MODERATE COURSE FOLLOWED IN POST -FRANCE SPAIN. SHOULD IT NOW BE DEMONSTRATED THAT DEMOCRACY DOES NOT WORK IN PORTUGAL - THAT A DEMOCRATIC

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PORTUGAL CANNOT DEAL WITH ITS ECONOMIC PROBLEMS- NEIGHBORING SPAIN COULD NOT HELP BUT TAKE NOTE. PORTUGUESE PARTICIPATION IN NATO WOULD BECOME CARPING AND NEGATIVE. PORTUGAL'S POTENTIAL FOR ACTING AS A BRIDGE BETWEEN THE WEST AND ITS FORMER AFRICAN COLONIES WOULD BE LOST. IN SHORT, A RETURN TO AUTHORITARIANISM IN PORTUGAL WOULD HAVE A DEMORALIZING EFFECT ON EUROPE AND WOULD BE TOUTED BY OUR ADVISARIES AS A DRAMATICFAILURE OF THE WEST.

17. WHOSE PROBLEM? PORTUGAL IS PRIMARILY A PORTUGUESE PROBLEM. THERE IS NO MISTKAE ABOUT THAT. BUT IT IS A EUROPEAN AND AN AMERICAN CONCERN AS WELL. BOTH WE AND THE EUROPEANS HAVE A STAKE IN THE OUTCOME. EACH OF US HAS INVESTED WELL OVER A BILLION DOLLARS IN ASSISTANCE SINCE 1974, WITH GOOD RESULTS. BUT THAT INVESTMENT COULD BE

LOST. PORTUGAL STILL NEEDS HELP IF IT IS GOING TO
MAKE IT. THE PROBLEM IS LONG TERM AND WE AND THE
EUROPENAS SHOULD FACE THAT FACT AND DECIDE NOW TO
HELP THE PORTUGUESE STAY THE COURSE.
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